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4 January 1963

CURRENT INTELLIGENCE WEEKLY SUMMARY

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF
(Information as of 1200 EST 3 Jan)

CONGO Page 1

The UN is continuing to apply military pressure to induce Tshombé to implement the UN reintegration plan. After quickly winning control of Elisabethville, Kipushi, and Kaminaville against only limited Katangan resistance, UN forces moved on toward the key mining towns of Jadotville and Kolwezi. The Katangan leader has posed the threat of all-out war and a "scorched earth" policy, but he has so far sought to avoid a major confrontation with UN forces. In Leopoldville, Adoula has finally recessed Parliament, and is pressing for the establishment of a central government presence in southern Katanga.

CUBAN DEVELOPMENTS Page 3

The Castro regime's fourth anniversary celebrations on 2 January featured an impressive display of Soviet-made military equipment and a speech by Fidel Castro in which he stressed Cuba's own defiant stand against the threats of "imperialist aggression" and its continuing adherence to the Sino-Soviet bloc. In his first public reference to the Sino-Soviet dispute, Castro in effect appealed for an end to "public discrepancies." Castro also stressed his regime's continuing determination to be the spearhead for the spread of Communism in Latin America. The military parade preceding the speech was chiefly notable for the display of surface-to-air and coastal defense cruise missiles. He stated that Cubans are being trained in their operation. There have been no signs of a reduction in the Soviet military presence in Cuba.

SOVIET FOREIGN POLICY DEVELOPMENTS Page 5

Khrushchev's relatively restrained pronouncements on the New Year suggest that the Soviet leaders are still reassessing their policies in the aftermath of the Cuban venture. Moscow's stress on the importance of improving US-Soviet relations is being accompanied by increased efforts by Soviet diplomats abroad to expand contacts with US officials. Moscow's anti-US propaganda campaign over the past two months, which clearly contradicts its international posture, is aimed primarily at tightening internal controls. Although Khrushchev's greetings to President Kennedy voiced hope that the new year would see a great improvement in relations, Moscow has attacked the "warlike statements" in the President's 29 December speech to the Cuban refugees in Miami.

YUGOSLAV POLICIES AFTER TITO'S SOVIET VISIT Page 7

In policy statements on 29 and 31 December, his first since returning from the USSR, Tito indicated that Yugoslavia's

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domestic and foreign policies are to remain generally unchanged. Although a greater effort will be made to avoid offending the Soviet bloc, nonalignment will continue as the cornerstone of Belgrade's foreign policies. Tito's main intent in his speeches was apparently to redirect public and regime attention to his broad plans for revitalizing the party and government. [REDACTED]

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COMMUNIST CHINA CONTINUES LARGE-SCALE PURCHASES OF GRAIN . Page 8

Peiping's purchase of 1.36 million tons of wheat--announced on 28 December--brings its total grain purchases from Australia since 1960 to over 5 million tons. Since beginning large-scale grain purchases from the West in late 1960, China has contracted to buy about 14 million tons of grain valued at about \$900 million. Thus far it has met its payments obligations, offsetting the strain on its thin reserves of foreign exchange by drastic trade adjustments.

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STRAINS ON EGYPT'S ECONOMY Page 11

The Egyptian economy is again under severe strain, primarily as a result of overambitious development spending. The cost of military operations in Yemen so far has added only in a minor way to the financial pressure. Cairo's tight foreign exchange position will probably improve considerably by late February or early March when export receipts from the favorable 1962 cotton and rice crops begin to accumulate. [REDACTED]

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DEVELOPMENTS IN ALGERIA Page 12

The Ben Bella government appears to be making an effort to improve relations with France and the US. As for domestic affairs, the government is encountering difficulty in establishing a workable budget and has made little progress toward bringing the army under civilian control.

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COMMON MARKET RELATIONS WITH AFRICA Page 13

The Common Market and 18 African states have initialed a new association agreement after nearly two years of study. The convention calls for \$730 million in aid for Africa over the next five years, and establishes institutional ties which may facilitate continued European influence in Africa. It will, however, increase complaints that the EEC is discriminating against nonassociated underdeveloped nations, and there is already some African criticism that EEC association is a new form of colonialism.

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FINNISH ARMS PURCHASES Page 17

The Finnish Government during the past year has accelerated its efforts to acquire modern arms for Finland's small, treaty-restricted defense forces. The impetus for this modernizing effort was provided largely by the Soviet note of October 1961, which invoked the 1948 Mutual Assistance Treaty to ask consultations on an alleged threat by West Germany and NATO to Finland's neutrality. Helsinki has indicated that it intends to pursue a "neutral" arms procurement policy, but economic and political considerations are likely to influence it to weight these purchases in favor of the Soviet Union.

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DOMINICAN GOVERNMENT MOVES AGAINST REBELLIOUS CULT Page 19

The 28 December expedition by Dominican police and military personnel to disperse a fanatical religious group seems to have been for the purpose of establishing government authority. The violence resulted in at least 45 deaths and several hundred arrests. There is no proof that the incident had any political significance, despite official Dominican claims and rumors to the contrary.

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PERUVIAN JUNTA FACES MORE COMMUNIST VIOLENCE Page 20

The military junta governing Peru has thus far taken little effective action against widespread strikes and violence incited by the Communists. The junta still prefers to blame the non-Communist opposition, possibly seeking to build up a pretext for renegeing on its promise to hold elections in June.

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SPECIAL ARTICLE

DEVELOPMENT OF THE EUPHRATES BASIN Page 1

Turkey, Syria, and Iraq are beginning to cooperate in planning for use of the water of the Euphrates River and its tributaries to expand agricultural production and generate more electric power. Turkey, which controls the headwaters of the Euphrates, has plans for water storage and irrigation on a large scale, while Syrian leaders have come to count on their own Euphrates project for the country's future economic growth. The Iraqis have constructed elaborate flood control and irrigation projects, and are to build more with Soviet assistance. Political and economic considerations, meanwhile, are involving Western governments as well as the USSR in this regional problem.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**WEEKLY REVIEW**CONGO**

UN military forces in four days of operations established control of Elisabethville and of Kipushi, the mining town near the Northern Rhodesian border, and routed Katangan forces at Kaminaville, near the UN-held airbase at Kamina. The UN then moved toward the mining towns of Jadotville and Kolwezi, where Katangan military elements had been concentrated. There had been no Katangan air activity up to 3 January.

The UN publicly announced on 31 December that it would halt further military operations pending new overtures to Tshombé to implement the UN reintegration plan. This decision was reversed, apparently as a result of protests from UN officials and military commanders in the field who feared the momentum of UN military successes would be lost--as in September and December 1961. On 2 January, Thant reportedly ordered UN forces to halt on the outskirts of Jadotville, apparently to try to get Tshombé to return to Elisabethville.

In his public statement on 31 December, Thant called for Tshombé and Union Minière (UMHK) to send representatives to Leopoldville immediately in order to begin discussions on payment of foreign exchange and export tax receipts to the central government. UMHK officials in Brussels have indicated they now are willing to do this.

Thant also called on Tshombé to accept central government

customs and immigration officials in Katanga. These officials now are on their way to Elisabethville.

Furthermore, Tshombé was to send his officers to Leopoldville to take an oath of allegiance to the central government, to cooperate with the UN in removal of his mercenaries, and to permit complete freedom of movement for UN forces throughout Katanga.

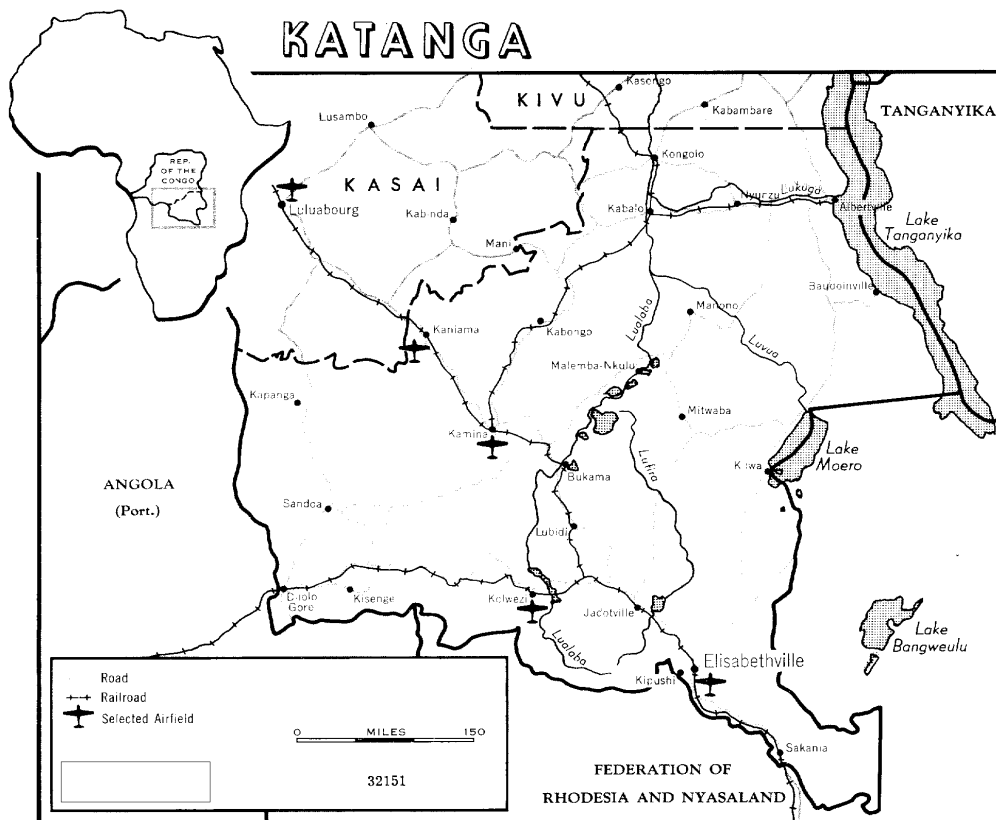
Thant called on Adoula to give reassurances of an amnesty for Katangan leaders and to consider further modification of the new draft constitution. He asked both Tshombé and Adoula to agree to a troop standstill.

Tshombé has again threatened to fight to the end and to adopt a "scorched earth" policy insofar as the Belgian mining installations are concerned. However, when faced in the past with strong military pressures, and the possible destruction of his forces and regime, Tshombé has chosen to negotiate rather than to fight.

Katangan forces avoided a major confrontation with the UN forces during the operations around Elisabethville and Kipushi. Tshombé appears to have hoped that international pressures from London, Brussels, and Paris would force the UN to halt.

The Adoula government in Leopoldville, elated by UN

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military successes, obviously hopes to be able to impose central government controls in Katanga soon. The government is trying to get the UN to agree to permit Congo National Army (ANC) forces to enter southern Katanga. Defense Minister Anany has asked Ambassador Gullion to arrange for a US airlift of 3,000 ANC troops to Elisabethville.

The introduction of a sizable ANC force into the Elisabethville area would very likely result in serious disorders and widespread fighting involving Katangans and the local Belgian population.

Adoula meanwhile has carried out what Ambassador Gullion has called "the famous creeping coup": Parliament has been recessed until March. No disorders have been reported, however, probably because Adoula made it clear that Parliament was only on vacation and that salaries would continue.

The Senate, before the recess, passed with its consistent inconsistency a censure motion against Vice Premier Jason Sendwe, the principal Baluba tribal leader in northern Katanga and a long-time political foe of Tshombé.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CUBAN DEVELOPMENTS**

The Castro regime's fourth anniversary celebrations on 2 January featured an impressive display of Soviet-made military equipment and a speech by Fidel Castro in which he stressed Cuba's own defiant stand against the threats of "imperialist aggression" and indicated its continuing adherence to the Sino-Soviet bloc. The major portion of the speech was devoted to efforts to rebut and ridicule President Kennedy's 29 December speech in Miami.

Sino-Soviet Dispute

In his first public reference to the Sino-Soviet dispute, Castro in effect appealed for an end to the "public discrepancies between large forces of the socialist camp." "These discrepancies concern us greatly," he said, because they weaken the unity necessary in facing the common enemy.

Castro's carefully worded remarks on this subject are consistent with recent Cuban efforts to give the appearance of neutrality in the Sino-Soviet dispute and, to the greatest degree possible, to avoid offending either side.

Castro's position in the Sino-Soviet dispute may also contain an element of attempted blackmail against the Soviet Union. He may hope that, by failing to adopt the anti-Peiping stand of Moscow, he can persuade the Soviet Union to increase its economic support for Cuba in an effort to solicit greater Cuban backing within the bloc. At the same time, by refusing slavishly to follow the Soviet line, Castro creates the impression of Cuba's independence within the bloc.

This policy appears to have been adopted by the Cubans between the Bulgarian party

congress in early November, when the Cuban representative joined other Soviet satellites in condemning Peiping and Tirana, and the Czech party congress a month later, when Cuban speakers completely ignored the Sino-Soviet dispute in their speeches.

Castro's references to the necessity for unity, which he said applies both to the "socialist camp" and to supporters of the regime within Cuba, may have been made in deference to the strong nationalist element among his supporters which is believed to have been at odds with a group within the regime more sympathetic to Moscow.

Spread of Communism

In his speech, Castro also stressed his regime's continuing determination to be the spearhead for the spread of Communism in the western hemisphere. Ridiculing President Kennedy's recent references to the "captive people" of Cuba, Castro declared that the real captives are the exploited peoples of other Latin American countries who, "when they decide to struggle," can use Cuba's example.

Castro singled out "the captive people" of Venezuela--as other Cuban leaders have recently done--as one example of those who are beginning to "awake and struggle." In an apparent reference to the sabotage of US-owned properties in Venezuela during the crisis period, Castro stated that the Venezuelan people, "led by the glorious Communist Party and the Leftist Revolutionary Movement," had demonstrated to the "imperialists" what real "revolutionary solidarity" is.

In an apparent criticism of those Communists in Latin America who oppose direct revolutionary action at this time, Castro praised "revolutionaries who

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understand that the duty of all revolutionaries is to create the revolution" and not simply to "sit in their doorways waiting for the corpses of their enemies to pass by."

Castro concluded his speech by proclaiming 1963 the "year of organization," giving priority to the organization of the "living Party of the Socialist Revolution," the political machine modeled after bloc Communist parties which the regime has been organizing for more than a year.

Weapons Displayed

The military parade that preceded Castro's speech was chiefly notable for its display of SA-2 Guideline surface-to-air missiles and of coastal defense cruise missiles. The latter had never before been publicly exhibited anywhere. Their presence in the parade, as well as Castro's statement in his speech that Cubans are being trained in their operation, was clearly designed to indicate that the weapons would remain in Cuba.

These weapons are believed still under Soviet control and

it would require at least a year after a training program began before Cubans could operate the systems. The MIG-21 (Fishbed) jet fighters that participated in a fly-by during the parade were almost certainly flown by Soviet pilots.

Soviet Presence

Photographic reconnaissance [redacted] showed no sign of any reduction in the Soviet military presence in Cuba. 25X1

The presence of ten Frog rocket transporters at a pier in the port of Mariel [redacted] suggests that these pieces of equipment--heretofore seen almost always at the four Soviet armored encampments--may have been in the process of being shipped back to the USSR. However, no Frog missiles or launchers were seen in the port area and photographic coverage of the Soviet encampments showed no sign of dismantling or withdrawal. In fact, construction on permanent buildings was continuing at two of the four camps. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET FOREIGN POLICY DEVELOPMENTS**

During the past weeks, Khrushchev has taken pains to keep attention focused on the outstanding East-West issues without, however, adding to the familiar Soviet formulations on these questions. Khrushchev's intention in this regard was highlighted by his 24 December letter to Adenauer

The letter was in reply to Adenauer's message of 28 August appealing for a reduction of tension in Berlin following a rash of serious incidents. Khrushchev had told Ambassador Kohler just prior to the Cuban crisis that the reply would be sent at the time of the chancellor's mid-November visit to the US. Kohler speculates that a letter at that time could have been the initial Soviet move in a diplomatic showdown with the West over Berlin and Germany.

Khrushchev's New Year's exchanges with the East Germans were noted for similar omissions, while Ulbricht's New

Year's message was unusually mild in its appeal to the citizens of West Germany and West Berlin to join East Germany in the establishment of "at least a modicum of correct and businesslike relations."

The relative restraint of Khrushchev's spate of New Year's messages and his New Year's Eve remarks suggests that Soviet leaders are still assessing and reviewing policy matters in the aftermath of the Cuban venture. His greetings to President Kennedy voiced the hope that 1963 would see a great improvement in US-Soviet relations and a "radical improvement" of the international situation.

The Soviet premier's New Year's Eve remarks were generally restricted to a reiteration of familiar Soviet themes and did not depart from previously stated Communist positions. He implicitly accused the Western powers of stalling on a disarmament agreement. But neither on this question, nor on the problem of Berlin and Germany, did he give any hint as to the timing or direction of any new Soviet initiative.

Khrushchev also used the occasion of the New Year to urge the UK to join in a cooperative effort with the USSR in settling the outstanding East-West problems, placing a German peace settlement second to general and complete disarmament.

On 30 December, TASS published Khrushchev's reply to a series of questions posed by editors of the British Daily Express. Again repeating standard Soviet arguments, Khrushchev asserted that the USSR would halt all nuclear tests beginning on 1 January 1963 "if the Western nuclear

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powers take a similar attitude" toward the UN call for a cessation of nuclear testing. On Berlin, Khrushchev repeated his "compromise" formula for retention of the Allied forces in West Berlin under some form of UN aegis.

During this post-Cuban period, as he sets about rebuilding the Soviet image and his own bargaining strength, Khrushchev is particularly intent on keeping contacts with the West open. Soviet diplomats in key world capitals have obviously been directed to increase their contacts with US Embassy personnel. Soviet personnel have consistently stressed a single theme --the USSR's desire for improved relations with the US and the appropriateness of the present time for US-Soviet negotiations on outstanding issues.

Upsurge in Anti-US Propaganda

The Soviet leaders' stress on improving relations with the US and settling outstanding problems has been accompanied by an upsurge in Soviet anti-American propaganda over the past two months. The US Embassy in Moscow believes this campaign, which so clearly contradicts the USSR's international posture, is aimed primarily at tightening internal controls and at reducing contacts between Soviet citizens and Americans, particularly embassy personnel.

The campaign started with the ouster of two US Embassy officials. It has been accompanied by a substantial increase in the jamming of Voice of America Russian-language programs. Since the arrest of a middle-level Soviet official on espionage charges, Soviet media have attempted to discredit US Embassy personnel. Soviet television has repeatedly shown a documentary film which rehearses prac-

tically all the previous persona non grata cases against US officials.

When Ambassador Kohler recently brought this matter to the attention of Deputy Foreign Minister Semenov, the latter said the ambassador should not take this campaign so seriously and assured him that it had nothing to do with the sincere desire of the Soviet Government to improve relations with the US.

Cuba

Soviet news media reported that President Kennedy's "war-like statements" in his speech 29 December to Cuban refugees in Miami "can only cause anxiety and bewilderment." Journalist circles in Washington were said to have "admitted" that the speech provided the broad basis for a campaign of disruptive activities against Cuba.

Since October, Soviet propagandists have implied that all Soviet commitments regarding the settlement of the Cuban crisis have been met and that the President made a promise that the US will not attack Cuba or permit Latin American countries to do so. Current Soviet reports imply that the President is threatening to break that promise and ask: "Does Kennedy intend to try again to bring the world to the brink of a military conflict?" Red Star added that "it must be clear in Washington" that the Soviet Union "will never leave Cuba in the lurch, that revolutionary Cuba will not remain defenseless."

A message from Khrushchev and Brezhnev to Castro on the fourth anniversary of the Cuban revolution stressed that the "forces of peace and socialism" must vigilantly watch that the US non-invasion pledge is observed.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****YUGOSLAV POLICIES AFTER TITO'S SOVIET VISIT**

Tito's policy statements on 29 and 31 December, his first since returning from the USSR, indicate that Yugoslavia's foreign and domestic policies are to remain generally unchanged.

Referring to his talks with Soviet leaders, Tito stated: "I told them that Yugoslavia cannot alter its foreign policy." He also told them "that we want to have with them only such relations as would not infringe on our independent policy...." At the same time, Tito noted that Yugoslav and Soviet foreign policies are on "almost all major questions similar," and ordered that Belgrade "avoid everything which might hamper" relations with the bloc. Yugoslav-Soviet relations will develop favorably "on a realistic basis, without any exaggerated expectations."

Nonalignment, Tito made clear, remains the cornerstone of Yugoslav foreign policy. "It is necessary to adjust even better our actions with the actions of other nonaligned countries," he said, "and to expand even more our comprehensive cooperation" with them. On 30 December, Vice President Kardelj, just returned from a tour of Indonesia, India, and Iraq, also indicated Yugoslavia's continued adherence to the policy of nonalignment.

Although Tito pledged that Yugoslavia will seek "peaceful cooperation with all countries, regardless of their social systems," the West was treated only briefly and negatively in his statements. He implied that the West was the source of varied negative influences which have infiltrated the country. He also indicated that Western sensitivities will be given less consideration in policy making.

Tito's major intent appeared to be to direct Yugoslavia's attentions away from its foreign

economic political relations and instead to focus them on what he considers weaknesses in the functioning of the domestic system. He struck out sharply at party indiscipline, economic and cultural nationalism in the constituent republics, and the thwarting of federal policies at the local level.

Tito's comments on the domestic scene pick up themes accentuated at the party's most recent plenum, which was held in July. Tito probably fears that the improved economic situation will dissipate support within the regime for the broad program of revitalizing the party and government he ordered at the plenum. Tito's basic problem is to assure that regime officials implement his policies, despite the prerogatives they enjoy under the country's decentralized economic and administrative system. Perhaps forecasting far-reaching personnel changes in connection with his program, he threatened that "those leaders who are procrastinating or are evading their duty...will no longer be able to remain as leaders."

Evidence of regime disunity continues to appear. The draft constitution continues to draw considerable criticism, and its approval by Parliament has apparently again been delayed. The economic plan for 1963 calls for a 13-percent increase in the funds to be invested in the country's backward republics, although previous statements by regime leaders, in response partly to pressures by the more advanced republics, indicated expenditures for this purpose were to be reduced. At the just-concluded session of Parliament, several deputies took the government to task for economic decisions adversely affecting their constituents.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMMUNIST CHINA CONTINUES LARGE-SCALE PURCHASES OF GRAIN**

Peiping's purchase of 1.36 million tons of wheat--announced on 28 December--brings its total grain purchases from Australia since 1960 to over 5 million tons. Since beginning large-scale grain purchases from the West in late 1960, China has contracted to buy about 14 million tons of grain valued at about 900 million dollars. Thus far it has met its payments obligations for grain imports on time, counteracting the strain on its thin reserves of foreign exchange by drastic trade adjustments.

Total imports of grain during 1962 amounted to about 5 million tons, and it now appears that deliveries in the first half of 1963 will total at least 3.5 million tons, slightly more than was imported in the first half of 1962. Despite official claims of a slightly better harvest in 1962 than in the previous year, the regime has shown no tendency to cut back its grain purchases--running at the annual level of 5 to 6 million tons--and Chinese negotiators have in fact told the Australians that they expect to be long-term purchasers of wheat.

To meet the additional strain on foreign exchange reserves caused by the emergency imports of food grains, Peiping has slashed imports, boosted exports to the West, and obtained short-term credits from Western grain suppliers. The terms of the latest Australian sale--typical of recent credits granted by grain suppliers--call for 10 percent cash, 20 percent in six months, 20 percent in nine months, and 50 percent in one year. The initial advantages of short-term credit will diminish in 1963, however, as obligations on earlier deliveries come due.

Food supplies remain tight in Communist China, although there apparently was some slight improvement in diet in 1962 due to the increased availability of vegetables and other subsidiary food from private plots--which were returned to the peasants in 1961. The "slight" increase in grain output claimed by the regime in 1962 will probably allow no significant improvement in per capita food supplies this winter, however, and consumption levels will probably drop somewhat with the seasonal decline in the supply of vegetables. With the population increasing annually by about 10 million people, Peiping finds it increasingly difficult to stretch the output of mediocre harvests.

There are indications that the level of state procurement of grain dropped somewhat in 1962 as the regime relaxed control over production and distribution in the rural areas. While this should mollify the peasants and help stimulate production, it will limit supplies for the urban population. Peiping is presumably attempting to meet this problem partly through its campaign to move surplus urban population to the rural areas and partly through continued imports of Western grain, which is easily channeled into urban distribution points.

To the extent that food imports displace imports of capital equipment, the regime faces further delays in its efforts to industrialize. By thus expending scarce foreign exchange on consumption goods rather than investment goods, Peiping is tacitly accepting a slowdown in its rate of economic development.

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CURRENT INTELLIGENCE WEEKLY SUMMARY**STRAINS ON EGYPT'S ECONOMY**

The Egyptian economy, which has weathered a series of crises over the past ten years, is again under severe strain. Cairo's foreign exchange position is very tight, although improved somewhat from early October, when the central bank's holdings of hard currencies dropped to \$5 million. At that time overseas transfers of foreign exchange had to be temporarily suspended, and the government was tardy in meeting loan payments to some Western banks.

Cairo's financial situation is likely to improve by late February or early March when export receipts from the favorable 1962 cotton and rice crops begin to accumulate. Cotton sales have started unusually well, and on 9 December the Egyptian Cotton Commission felt confident enough to announce a price increase on several of the better grades.

The basic cause of Egypt's recurring economic crises is the Nasir regime's propensity for overambitious economic planning. The government persists in trying to stretch relatively slender resources too far too fast. Competition among the various ministries, bureaus, and economic committees has led the government at times to commit more funds than it had available. Such overspending has been particularly evident over the past year or so. Under these circumstances, the impact of the 1961 crop failure, which cost Egypt the equivalent of \$150-200 million in customary export earnings, was very sharp, and the economy has not yet recovered.

The cost of Egyptian military operations in Yemen and of aid to the Yemeni revolutionary government has also

contributed to Cairo's financial difficulties, but--so far, at least--not in a major way. Although the cost of the Egyptian military effort is considerable, since it involves supporting nearly 12,000 troops in Yemen plus a substantial air force effort, there has been relatively little requirement for immediate outlays of foreign exchange.

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The bulk of Cairo's military bill will probably be paid off over a fairly long period. This appears to be particularly true of items and services supplied to Egypt by the Soviet Union. The economic pressure stemming from Egyptian involvement in Yemen thus does not appear to be very heavy in the short run. In any case, Nasir is unlikely to allow financial pressures to weaken his determination to preserve the Yemeni revolution and to retain the initiative in his continuing struggle against conservative Arab rulers.

The primacy of political considerations has also been evident during previous periods of financial stringency. In no case has the Nasir government for lack of funds cut back its outlays for promoting its "revolution" abroad--expenditures for propaganda and subversion. In early December, for example, Cairo announced an interest-free ten-million Egyptian-pound loan to the Ben Bella government of Algeria.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****DEVELOPMENTS IN ALGERIA**

The Ben Bella government appears to be making an effort to improve relations with France and the US. Algerian officials are pleased with American food shipments, and inquire frequently about the prospects for other US aid. As for domestic affairs, the government is encountering difficulty in establishing a workable budget and has made little progress toward subduing the army to civilian control.

dor Porter they hoped that the US would help the Algerians.

Since Khemisti's affable talks in Paris in late November, French officials have noted with pleasure much better cooperation from Algerian officials in Algiers. Following Khemisti's visit, several other Algerian ministers have come to Paris for discussions with their French counterparts. These improved relations, however, could become strained if the French carry out nuclear tests in the Sahara reportedly scheduled for early this year.

The Algerian Government now is formulating this year's budget. Ben Bella told Ambassador Porter on 28 December that he was determined to impose a balanced budget in spite of resistance from his ministers. Ben Bella said that government salaries would be cut to an austerity level, and that wages in the industrial sector would be tightly controlled.

Only minimum progress has been made in cutting down the size of the Algerian Army and bringing it under effective civilian control. The various rebel military districts (Wilayas) operated semiautonomously before independence, and lawlessness among ex-Wilaya elements persists in the countryside.

In a cordial interview with US Ambassador Porter on 26 December, Foreign Minister Khemisti said that he and Ben Bella consider US-Algerian relations so important that they wish to handle all aspects personally. Khemisti deplored the anti-US bias evident in the continued agitation of the Cuban question by the official FLN newspaper. He asserted that the Algerian delegation to the Cuban anniversary celebration had been carefully instructed to avoid controversial statements.

Khemisti also showed intense interest in US aid plans for Algeria, and seemed particularly interested in a possible program for village rehabilitation. At a 26 December Yugoslav reception, both the UAR and Yugoslav ambassadors told Ambassa-

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMMON MARKET RELATIONS WITH AFRICA**

The association convention initialed on 20 December by the Common Market and 18 African states will probably be signed by the contracting parties within the next few weeks. The agreement, if ratified, will be of substantial economic benefit to the associated states, and the proposed new institutional ties may facilitate a continuation of European influence in Africa. However, the convention will also tend to perpetuate EEC discrimination against other underdeveloped areas, such as Latin America, and there are already undercurrents of African feeling that EEC association is a new form of colonialism.

Most of the nearly two years of negotiation for the convention has centered on aid and trade provisions. The EEC aid package finally agreed upon will aggregate \$810 million over the next five years--an increase of \$230 million over the old convention. Some \$80 million of the new fund has been earmarked for non-African associated territories.

Of the \$730 million designated for Africa, about \$500 million will be devoted to social and economic development, and the remainder to modernization and diversification of export industries. The latter assistance is intended as compensation for a reduction in certain tariff preferences and other advantages granted to exports of the associated states. The associated states remain free

to impose tariffs on imports from the EEC, except for equipment for aid projects financed by the EEC's overseas development fund.

While details of the EEC-African institutional arrangements are not yet known, the central policy-making body will be a Council of Association, chaired successively by the 24 contracting parties. The joint sessions of African parliamentarians and the EEC Assembly--several of which have already been held and which have proved useful in promoting European and African understanding--will be continued. Provision has also been made to give the Africans some voice in the administration of development aid.

The conclusion of the new association convention will underscore once more the problems of nonassociated areas generally in retaining a fair share in the European market and will encourage new charges in Africa that the EEC is dividing the African continent. During the EEC-UK accession negotiations last summer, the EEC agreed that the African Commonwealth countries would be offered at least equivalent terms for association, but at the Commonwealth prime ministers' conference in September, only Sierra Leone was interested in the offer.

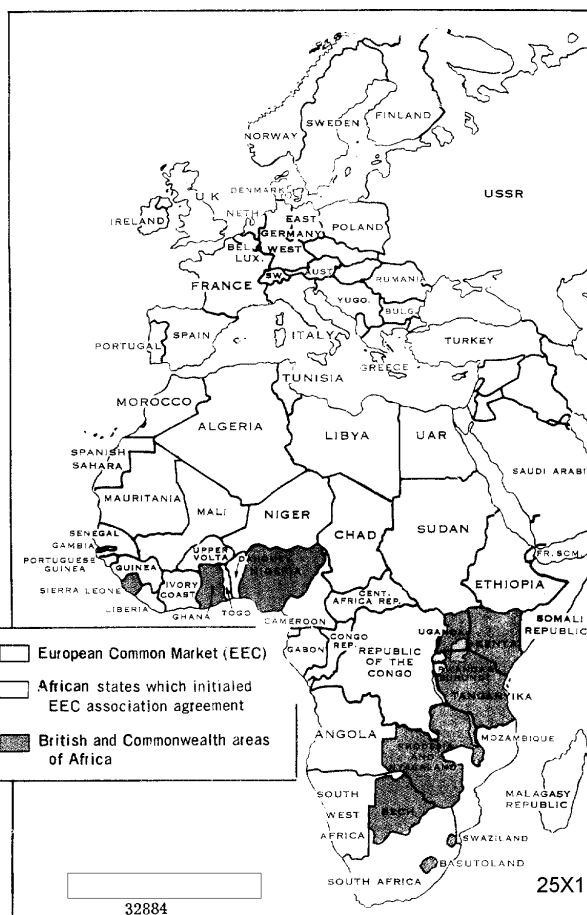
While it is possible that some of the other countries may yet have second thoughts, their

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position has already cost them some sympathy in the EEC, and some EEC officials are cool toward the idea--advanced in East Africa in particular--of special trade agreements with the Common Market in lieu of association. Moreover, the present African associates while unsuccessful in their bid for a veto over any new associates--have made it clear they have little desire to share the EEC's development funds with latecomers.

West Germany, moreover, has already provided some evidence that African fears of political pressures from association with the EEC are not entirely groundless. Prior to the conclusion of the new agreement, rumors that Mali and Senegal might be considering recognition of East Germany led Bonn's delegate to warn that it would in such an event refuse to ratify the convention, or would withhold its contribution to the development fund. In subsequent talks, however, the view prevailed that the new convention is between the Africans and the community--not its member states--and that any retaliation would be a matter for the EEC Council to decide.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FINNISH ARMS PURCHASES**

The Finnish Government during the past year has accelerated its effort to acquire modern arms for Finland's small, treaty-restricted defense forces. The impetus for this modernizing effort was provided largely by the Soviet note of October 1961, which invoked the 1948 Treaty of Friendship and Mutual Assistance to ask military consultations on an alleged threat by West Germany and NATO to Finland's neutrality.

In his subsequent conversations with President Kekkonen in Novosibirsk, Khrushchev agreed to "postpone" the military consultations he had requested. President Kekkonen and Finnish military officials have nevertheless maintained that Finland must quickly strengthen its armed forces so that if Moscow again raises the question of military consultations Finland can argue that it can defend its neutrality by itself. Acquisition of modern arms would also boost the morale of the civilian population.

The principal obstacle to acquiring these weapons, however, has been the 1947 Treaty of Paris, of which Finland, the USSR, and Britain were principal signatories. The treaty strictly limits the size of the Finnish armed forces and expressly forbids acquisition of the self-propelled or guided missiles in which Finnish military officials have expressed particular interest. Earlier last year Finland sounded out the ten signatories on reinterpretation or revision of the treaty. The

USSR told the Finnish defense minister in Moscow last January that the Soviet Union would not oppose Finland's acquiring the proscribed weapons. Britain and the Commonwealth signatories --except Canada--have since acquiesced in a reinterpretation of the treaty, but have indicated that they expect the equipment to come from Western as well as Soviet sources.

Finland, which in the post-war years has relied almost entirely on Western sources for its modest arms requirements, made its first sizable purchase of Soviet military equipment in 1959--conventional arms such as tanks, artillery, ammunition, transport equipment, and some aircraft. Negotiations were under way in Moscow during much of 1962 for the purchase of additional equipment--particularly aircraft. Under the terms of an agreement concluded last fall, Finland will receive, along with other material, a squadron on MIG-21 (Fishbed) aircraft apparently equipped with weapons proscribed by the peace treaty. This and earlier purchases in 1960 are expected to approach the \$60 million allocated to the military out of the \$125-million line of credit which the USSR granted Finland in 1959. 25X1

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Finnish officials say they will pursue an arms acquisition policy that accords with Finland's position between East and West. They have bought some conventional arms from Britain; and have also expressed interest in various types of missiles, radar, and electronic equipment which Britain is ready to sell. There have also been minor purchases from France, Switzerland, and Sweden.

Thus far, however, a number of factors have weighted procurement in favor of Soviet arms. Arms purchases from the USSR can be more readily financed as a result of lenient credit terms and Finland's consistently favorable balance of trade with that country. Government spokesmen state that there will be a further expansion of trade despite the continuing imbalance --now running at \$55 million in Finland's favor--and this may compel Helsinki to turn to military purchases as one means to reduce the imbalance.

Kekkonen is likely to proceed cautiously in acquiring

arms from the West--particularly the US--in order to avoid Soviet charges that Finland is moving toward closer military and political ties with the West. Kekkonen advised Ambassador Gufler recently that he had decided to defer action on the offer made by the US to sell conventional military equipment on favorable terms. He described Moscow as "so suspicious" that it might regard any arms agreement now as an effort by the US to follow up its success in Cuba by pushing into an area close to the Soviet Union.

Another factor influencing Kekkonen may be the crucial one of Finland's future relationship with the Common Market. Aware that Moscow regards the EEC as the economic arm of NATO, Kekkonen may feel that he would jeopardize prospects for securing Soviet acquiescence in some tie with the EEC if at the same time Finland appeared to be moving toward greater reliance on the West for arms.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****DOMINICAN GOVERNMENT MOVES AGAINST REBELLIOUS CULT**

Dominican police and military personnel on 28 December took action to disperse a fanatical religious group in the village of Palma Sola, near the Haitian border. In the resulting violence, an army general and at least 44 members of the cult were killed, seven civilians were wounded, and about 675 were taken prisoner. Several hundred cultists and their leader, Plinio Ventura, were said to have escaped to hills nearby. Latest reports, however, state Ventura was among the dead. There reportedly are other branches of the cult in the area. The armed forces appear to be in control, and are preparing to disband remaining cultists with as little violence as possible.

Plinio Ventura and several of his brothers reportedly set themselves up in Palma Sola about a year ago as "prophets" of one Liborio--a local leader killed during the US occupation of the Dominican Republic from 1916 to 1924. Liborio had a large and fanatical following among the illiterate Negro peasants in the locality.

Last November the Dominican press reported a growing concentration in Palma Sola of "pilgrims" from all parts of the country. Reports that the cult had been defying government authority were accompanied by rumors that some of its members were receiving military training and expecting shipments of arms from Haiti. Some of the most notorious henchmen of the former dictatorship were alleged to have taken refuge among the cultists.

The government apparently decided to take action when it learned that the cultists had boycotted the general election of 20 December.

There is no proof that remnants of the Trujillo regime supported by Haitian dictator Duvalier, local pro-Castro elements, or opportunistic members of the interim Dominican Government attempted to use the cultists to disrupt the country's transition to democratic rule.

There are no indications, however, that the Haitian regime has accommodated itself to the emergence of democratic rule in the neighboring republic. Moreover, a Radio Havana broadcast by a Dominican exile group on 29 December lauded the memory of Liborio, stated that he was "murdered by US Marines," and called on the Dominican people to unite in "defending, helping, and protecting the peasants persecuted in the mountains by antiguerrilla forces trained by Yankee officers."

The US ambassador in Santo Domingo reported on 29 December that Antonio Imbert--an ambitious member of the seven-man ruling Council of State--apparently opposed visits to the scene of the violence by the US military attachés because he feared they would report that the police killed many cultists needlessly. Imbert told the ambassador that Trujillists or Communists or both, based in Haiti, were training these "poor starving peasants" for rebellion.

Imbert, who has been trying to build the police into a force personally loyal to him, could be expected to fear reports critical of police conduct since the police action was ordered by one of his strongest backers, the attorney general. Speculations that Imbert brought about the incident to further his own ambitions cannot be substantiated

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PERUVIAN JUNTA FACES MORE COMMUNIST VIOLENCE**

Strikes and violence in five major cities in Peru during the last two weeks of December have had the support and guidance of Communist agitators. The governing junta, while publicly minimizing Communist involvement, is considering the use of army troops to back up local police in regions where constitutional guarantees have been or will be suspended.

A Communist-dominated student group in Huancayo seized the university and had to be dislodged with tear gas. The strikers in La Oroya, who inflicted an estimated \$4 million

worth of damage to mining installations owned by a US company, have mostly returned to work but threaten to strike again if the company or the government attempts any reprisals for the violence.

Students in Ica University, dominated by Communists, have been on strike demanding more funds from the government. Communist-led unions joined the strike, and the city has been virtually paralyzed since 24 December. In Trujillo, a private warehouse was burned to the ground by striking Communist students, and Communist unions struck in sympathy.

Communist agitation among Indians and tenant farmers near Cusco has caused several raids on private lands and led to at least five deaths. A miners' strike at Toquepala has been settled temporarily, but a Communist union has threatened to strike against the International Petroleum Company in Talara.

Seventeen leading Communists, arrested in the wake of the violence in La Oroya, were freed in less than a week.

The junta still maintains that the disorders are carried out by the anti-Communist APRA party and accuses the APRA of trying to prevent elections in June. This charge is patently false, however, and leads to the presumption that the junta itself is laying the groundwork for a future charge that the political situation in Peru is too unstable for the strains of a presidential election.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLE****DEVELOPMENT OF THE EUPHRATES BASIN**

Pressure to expand agricultural resources is gradually leading the development planners and political leaders of Turkey, Syria, and Iraq to consider some form of cooperation in using the waters of the Euphrates River for large-scale irrigation and power. The people of Mesopotamia--present-day Iraq--have been using the Euphrates to water crops since far into pre-history, and modern Iraq already has an elaborate complex of existing and planned irrigation and power schemes. Turkey and Syria are relative newcomers to this kind of development of the Euphrates, but they have on the drawing board plans of an equal if not even grander scale.

International political complications have appeared as the Syrian and Turkish governments--and to a lesser extent the Iraqi--have become aware of each other's plans or ambitions. The headwaters of the Euphrates lie in Turkey, as do those of its most significant tributaries, and most of the water in the river is derived from mountain snowmelt and winter rains in that country. Syria, however, has large irrigable areas inviting exploitation by modern techniques of water storage and control. In Iraq the level of the river is subject to the sharpest fluctuations, and the problems of flood control are most serious. River development projects in either Turkey or Syria will ultimately affect the flow of water in Iraq, while a dam or barrage in Turkey would immediately affect the region of northern Syria where the major

Syrian development has been proposed.

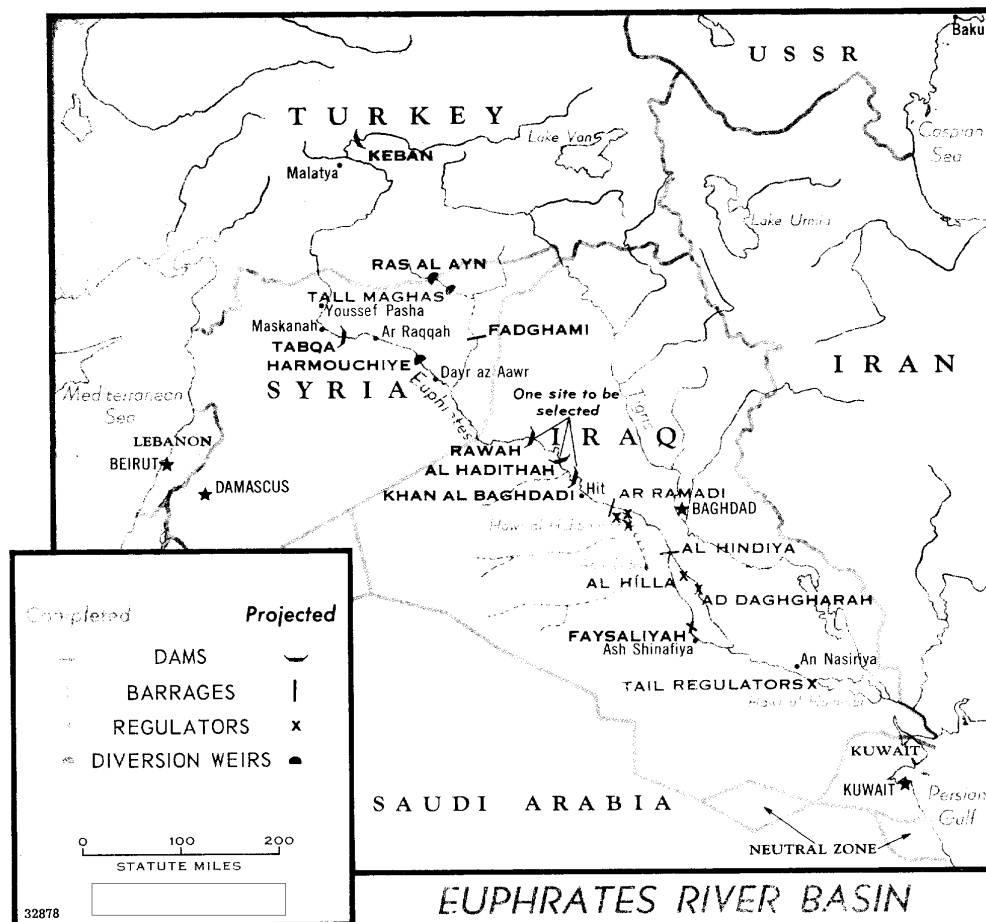
Of the three riparian countries, only Iraq has been able--thanks to its oil revenues--to finance a substantial proportion of its water schemes from internal resources. Turkey and Syria must borrow both money and technical services. The countries which have become involved at one time or another in recent years in this aspect of Euphrates development include the USSR, France, West Germany, Japan, and the United States.

Turkey's Plans

The economy of southeastern Turkey, as presently organized, could use effectively only about 10 percent of the water which now flows off into Syria. The water would be almost entirely for agriculture--irrigating about 600,000 acres and increasing the total of Turkey's land under cultivation by about 9 percent--because the industry to use large amounts of electric power does not exist.

Turkey's long-range plans are much more ambitious, however. A Turkish representative recently urged NATO members to withhold support for any national Euphrates project until the riparian powers have reached agreement, arguing that Turkey plans eventually to use 17 billion cubic meters of water, some 70 percent of the river's flow. He said that a "substantial portion" of the water would be used in Turkish plants to generate electric power which

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would be distributed to Syria and Iraq on an international grid.

Turkey's immediate plans center on the construction of a high dam just south of the confluence of the Euphrates' two main sources, about 140 miles north of the Syrian border. This site, Keban, was chosen over one only 30 miles from the border on the ground that it offered more immediate benefit to Turkey. On the basis of a French study made in 1957 but soon to be rechecked, the Keban dam project has been included in Turkey's current five-year plan (1963-68). Construction

of one barrage at Keban has already begun, although the Turks have deferred the start of major work, presumably in deference to the idea of riparian cooperation. The Turks have not published any estimate of the cost of the Keban dam or of ancillary development work.

The proposal for a dam near Syria has probably been set aside temporarily rather than discarded. It would probably be a more elaborate project than the Keban dam, and tie in more closely Syrian and Iraqi plans for the middle Euphrates.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**Syria's Hopes

Early in 1962 the Turkish Government invited the Syrians and Iraqis to discuss joint development of the Euphrates basin, but only the Syrians have responded so far. Last month the director of Syria's Euphrates Project led a delegation to Ankara, presumably mainly to obtain assurances that Turkish projects would not jeopardize Syria's own hopes for the development of the river.

Syria's agricultural expansion through farming marginal lands without irrigation in the northern part of the country has reached its maximum limits--the minimum rainfall required was not obtained in several recent crop years--and a Euphrates River dam to provide irrigation and electric power has become, in the eyes of the Syrian public, the touchstone for the country's future economic growth.

Such a dam has long been studied; a \$200-million project was proposed in the early 1950s, with the dam site about forty miles south of the Turkish border. The project began to appear as a serious possibility, however, only in 1957 when a Euphrates dam was included in a Syrian-Soviet economic aid agreement. Soviet experts believed that the dam would be better sited a little farther downstream and that it should be large enough to provide irrigation for some 1.7 million acres as well as generate substantial amounts of electric power. They also suggested smaller dams on two Syrian tributaries of the Euphrates. These Soviet-developed plans are

the basis for the Syrian Government's present ideas.

Financing, however, has continued to elude the Syrians. The USSR's interest in the project evaporated following the union of Syria and Egypt in 1958. The rivalry between Nasir and Qasim made impossible any agreement between the UAR and Iraq over division of the Euphrates water, and the USSR, chary of becoming involved in the disputes between these Arab champions, in effect conditioned its support for the project on such an agreement.

Cairo, acting on behalf of Damascus, made several informal approaches to the United States, but finally succeeded in July 1961 in obtaining from West Germany a commitment to a twenty-year loan of \$125 million. Once again, however, political complications intervened. Syria's divorce from the UAR in September 1961 led the West German Government to reconsider the commitment, with the result that the new Syrian Government was able to obtain a tentative promise of only \$50 million. Bonn suggested that Syria look to a Western consortium to provide the balance of the money for a scaled-down project.

In casting about for additional or alternative support in non-Communist quarters, the Syrians have so far approached the French, who have replied vaguely, the Japanese, who may finance some dam-related installations, and the Swedes, who have made some surveys connected with dam construction.

Most recently, however, domestic Communist and leftist elements have urged that the government turn once more to

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the USSR. Pressure to enter a new arrangement with Moscow is likely to grow as long as the Syrian political situation remains volatile.

Iraq's Position

The Iraqis would appear more in the role of supplicants to the mercy of Turkey and Syria were it not for the considerable development which they have already accomplished on their section of the Euphrates. They have achieved some substantial success in flood control--a more serious problem here than farther upstream--with their Habbaniya Project, a system of barrage and regulator dams west of Baghdad.

Two further dam projects are planned, both with Soviet technical assistance: a regulator dam near Shinafiya in the swampy area of southern Iraq, and a large multipurpose dam near Hit, north of the Habbaniya Project. The multipurpose dam reportedly would provide irrigation for 750,000 acres, while an additional 250,000 acres in the same area would be irrigated by enlarging the storage capacity of Lake Habbaniya.

Other works, principally drainage and rechanneling projects, will probably be undertaken by the Iraqis along the Euphrates in the near future to cope with the increasing salinity of the soil, which is taking out of production areas which have long been under irrigation.

The Iraqis' experience with water development projects and their established requirements of large amounts of water give them a significant voice in future planning for the Euphrates basin. Discussions between the Syrians and Iraqis have apparently gone well. The reluctance of the Iraqis to undertake discussions with the Turks is probably due to fear of offending the Soviets as well as the strong political antipathy between the Iraqi and Turkish governments.

Conclusion

Some kind of joint planning for the development of the Euphrates basin will probably come to be recognized by the riparian states as not only beneficial but even as essential now that Turkey, controlling the headwaters, is entering the development picture. The problem of allocating quantities of water exists--particularly if the more grandiose Turkish schemes should be pushed--but more immediately serious is that of controlling the rate of flow for optimum use along the river's course. A system for timely withholding and release of water to coincide with irrigation requirements downstream is essential if Iraq's and Syria's development plans are to succeed.

Turkey's position, not only controlling the headwaters but also possessing the terrain most favorable for high dams and thus for river control, gives it strong regional advantages. Political considerations will continue to intrude, affecting technical agreements as well as the possibilities of financing.

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